# Resident Credit for Tax Imposed by a Canadian Province Issued under authority of P.A. 281 of 1967. Attach to MI-1040. Type or print in blue or black ink. Name(s) as shown on your MI-1040 Social Security Number

PART 1: CONVERSION OF CANADIAN WAGES AND TAXES TO UNITED STATES CURRENCY  1. Canadian income taxed by Michigan 2. Fringe benefits included in Box 14 of the T-4, not taxable in U.S.A. 2. 3. Subtract line 2 from line 1 4. Multiply line 3 by the annualized conversion rate of 77.24% (7724) (see inst.) 5. Total Canadian income from line 150 of your Canadian income tax return 5. Total Canadian income from line 150 of your Canadian income tax return 5. Total Canadian income from line 150 of your Canadian income tax return 6. Multiply line 5 by the conversion rate of 77.24% (7724) 7. Divide line 4 by line 6 (percentage of Canadian income taxed by Michigan to total Canadian income) 7. % 8. Multiply the Canadian lederal lax (line 420 of Canadian return) 8. by the conversion rate of 77.24% (7724) 8. 9. 9. Multiply line 8 by line 7 9. Multiply line 8 by line 7 10. Multiply line 10 by line 7 11. Multiply line 10 by line 7 12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 13. Multiply line 12 by the conversion rate of 77.24% (7724) 14. Adjusted gross income from MI-1040, line 10 15. Canadian income taxed by Michigan from line 4, above 15. Canadian income taxed by Michigan from line 4, above 16. U.S. adjustments to Canadian wages (from U.S. 1040 lines 23-32a) 16. 17 18. Subtract line 16 from line 14 for Michigan source income 18. 19 19. Additions from MI-1040, line 10 20. Additions from MI-1040, line 11 21. 22. Subtract line 21 from line 20 for income subject to tax 22. 23. Divide line 17 by line 22 for percentage of Canadian income to total income subject to 18 22. Subtract line 21 from line 22 for percentage of Canadian income to total income subject to 25. 23. Divide line 17 by line 22 for percentage of Canadian income to 25. 24. Exemption allowance from MI-1040, line 14 29a. Canadian portion of credit claimed on U.S. 1040, line 44 29b. Canadian income taxed by Michigan t	Address, City, State and ZIP	Spouse	e's Social Security Number	
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30. Subtract line 23e from line 20 for amount available for credit on with 1040		· · · · · · · · · · · · · · · · · · ·		

32. Credit for tax paid Canadian province (lesser of lines 27, 30 or 31).

# Instructions for Form 777, Resident Credit for Tax Imposed by a Canadian Province

Before you start, you will need your U.S. 1040, all U.S. 1116 forms, Canadian Federal Individual Income Tax Return and Canadian form T-4. Attach copies of all of these forms to your MI-1040 return.

# Who may claim this credit

To qualify for a credit using this form, you must:

- Be a Michigan resident or part-year Michigan resident.
- Have income that was subject to income tax by both Michigan and a Canadian province,

#### AND

• File a Canadian return which shows provincial tax paid.

**NOTE:** The surtax for individuals who are not residents of Canada may <u>not</u> be used to compute a Michigan tax credit. If your Canadian return submitted with your MI-1040 return does not show provincial tax, you do <u>not</u> qualify for a Michigan tax credit.

# **Credit computation**

The maximum credit for tax imposed by a Canadian province is the smaller of:

- Michigan tax due on the Canadian income, OR
- The provincial tax you did not claim for credit on your U.S. 1040.

Credit is <u>not</u> allowed for:

- Canadian provincial tax unused in prior years but carried over to your 2003 U.S. *1116*.
- Canadian provincial tax unused in 2003 and claimed as a carryover deduction to future years.
- Taxes paid on income subtracted on line 13 of your MI-1040 (i.e. rental or business income from another state or Canada, part-year resident wages, etc.).

If you reduce your U.S. income tax by a carryover of provincial tax, you must amend your prior year Michigan income tax return to reduce the credit computed on that year's return.

### **Conversion rate**

The conversion rate used on this form for the 2003 tax year is the <u>annualized</u> conversion rate of 77.24% (.7724).

If you used a conversion rate on your U.S. 1116 other than 77.24%, substitute the rate you used in Part 1 of this form.

# **Line-by-Line Instructions**

Lines not listed are explained on the form.

**Line 1:** Enter your Canadian income taxable by Michigan. This includes, but is not limited to, salaries, wages, commissions and other employment income.

Part-year residents: This line must be only the portion of income earned as a Michigan resident.

**Line 2:** If box 14 of Canadian T-4 includes fringe benefits that are also included in U.S. adjusted gross income (AGI), reduce the amount in box 14 by the amount included in AGI on your U.S. *1040*. Note: This reduction must be accompanied by verification from your employer.

**Line 12:** Enter contributions to a Canadian Pension Plan from boxes 16 and 17 on the Canadian T-4 (maximum of \$1,802.00) or from line 421 of the Canadian return.

Part-year residents must prorate the amount on this line. Divide Canadian salaries and wages earned as a Michigan resident by total Canadian salaries and wages earned. Then multiply the total contribution from boxes 16 and 17 by the resulting percentage.

Line 13: Multiply line 12 by 77.24% (.7724) and enter the result.

**Line 15:** Enter your Canadian income from line 4.

**Note:** Interest and dividends from Canada received by a Michigan resident are taxable by Michigan as Michigan source income.

**Line 29a:** Enter the portion of the foreign tax credit attributable to Canada you claimed on your U.S. *1040*, line 44. Your credit amount must be reduced by any carryover of unused provincial tax included on any U.S. *1116*. Your credit amount must also be reduced by any unused provincial tax that is being carried forward to reduce federal taxes in future years.